



**DARRYL
SCHRIVER**

MESSAGE
FROM
PRESIDENT/
CEO

Brazos Bankruptcy

FOR THE PAST SEVERAL MONTHS, the Tri-County Electric Cooperative Board of Directors and staff have worked relentlessly to leave no stone unturned in an investigation of events surrounding February's Winter Storm Uri and what caused our generation and transmission cooperative, Brazos Electric Power Cooperative, Inc. (Brazos), to file for bankruptcy. I have provided the membership with updates throughout our investigation of this constantly changing situation. Below is a brief recap of the last six months and an update as to where we currently find our cooperative.

As you may recall, on March 1, 2021, Brazos filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of Texas. Since March, numerous legislative hearings have been conducted related to the winter storm, senate and house bills have been filed and passed, and many proceedings have taken place in the Bankruptcy Court. Throughout this time, Tri-County Electric Co-op has been represented by a team of attorneys and consultants who have assisted us in actively protecting the interests of you, our members. 800879902

In the early days of the bankruptcy, Brazos was keenly focused on the legislative process and had high hopes that some form of legislative relief would be identified that would "bail out" Brazos. As the legislative session wrapped up without a state supported bailout and neither of the special sessions included an agenda item related to the electric market, Brazos pivoted to managing the ERCOT and other creditor claims filed against it as it contemplates various other bankruptcy exit options and scenarios.

One exit scenario being discussed by Brazos is based on provisions of Senate Bill (SB) 1580 and House Bill (HB) 4492 passed during the session relating to securitization. Under a securitization exit scenario, millions, and possibly billions, of dollars of debt could be issued resulting in increases to your bills for the next 15 to 30 years. Your cooperative is spearheading the charge against a securitization scheme, which we believe is bad for you, our member-owners.

In conjunction with other member-cooperatives, we are actively pushing Brazos to seriously consider other options that are more favorable to you as the end-users. The cost of securitization would be placed solely on the backs of consumers and Tri-County Electric Co-op believes other options, such as the sale of Brazos's assets to raise money, would not only help to pay Brazos's creditors but would also help to reshape Brazos so that Tri-County Electric Co-op's members are not exposed to a similar disaster in the future. Asset sales would also put Tri-County Electric Co-op in a much better position to manage its future power supply transactions by putting the decision-making of our largest cost item in the hands of Tri-County Electric Co-op's board, not Brazos's board.

Our board of directors and staff will continue to actively engage in all matters related to Brazos and we will keep the best interests of our member-owners at the forefront. This is still a very fluid situation, and at this point, we still lack definitive answers about how much the Brazos bankruptcy will ultimately cost Tri-County Electric Co-op and its members. We will keep fighting for you. We are in this together. ■

A YEAR OF TIDAL WAVES

A MESSAGE FROM YOUR PRESIDENT/CEO & BOARD CHAIRMAN



**DARRYL
SCHRIVER**

PRESIDENT/
CEO



**JORDEN
WOOD**

BOARD
CHAIRMAN

MANY NAMES HAVE TAGGED 2020 and 2021, including unprecedented, unusual, challenging and unparalleled. Merriam-Webster's 2020 word of year was *pandemic* – a fitting choice as we trudged through the coronavirus epidemic. At Tri-County Electric Cooperative, it was the year of tidal waves.

The past year was hard for many, and our communities were not immune. Through all these trials and hardships, Tri-County Electric Co-op's employees banded together to persevere and serve you, our members.

Our cooperative has experienced many difficulties over the past year. Beginning with the ice storm that hit our Seymour service area last October, to Winter Storm Uri bringing rotating outages across the state, to our power supplier, Brazos Electric Power Cooperative, entering bankruptcy, all while navigating the ever-changing landscape of the coronavirus pandemic.

February's winter storm wreaked havoc across the state. Many facets of our every-day-lives were impacted, from supply chain issues at grocery stores and home-improvement stores, to the interruptions of essential services like trash pickup. The most impactful and publicized breakdown was the state's electric grid and the Electric Reliability Council of Texas mandating rotating outages.

The coronavirus pandemic continues to loom over the globe. Eighteen months ago, we closed our offices to the public. This was not an easy decision, but was in the best interest of the health and safety of both our employees and you, the members. We hope the disease eases so we can open our lobbies again soon. Until then, we promise to continue to serve you. Indeed, over the entire period our employees have remained in the office with no work-from-home options to ensure you received the best possible service.

Additionally, the cooperative experienced positive challenges like exponential growth. We also accomplished things like increased transparency in our governance structure and overall communications and added member benefits and elevating our service.

Tri-County Electric Co-op's Board of Directors welcomed two new directors in late February. The new bylaws, effective November 1, 2020, included a redistricting of director districts creating two new seats. Kevin Ingle, district 1, and Margaret Koprek, district 2, were appointed to fill the vacant seats after completing a rigorous interview process with the Committee on Nominations and Qualifications and the board. We are excited to have Kevin and Margaret serving the membership as members of the board. The knowledge, skills and experience they bring makes them valuable members of the board.

Even through the eventful, unprecedented year we've had, you, our member-owners, scored Tri-County Electric Co-op at 84 out of 100 in the American Customer Satisfaction Index (ACSI). We use the ACSI to gauge member satisfaction, and it is our goal to continuously improve. As we get ready for our 2021 survey, we hope you will give candid feedback to the survey team so we can use your input to continue to improve the manner to which the cooperative serves its members.

Last year's annual meeting theme and message was *I work for you*. As we travel through 2021, we will continue to face many challenges, but our message still stands clear: member-focused, member-driven. Every Tri-County Electric Co-op employee comes to work with the intension to take care of you, our member owners.

Looking back on the past year, it definitely was not without challenges. However, we are very proud of our employees and the Board of Directors for always looking out for and protecting the membership's best interest. Since April, every President/CEO column has ended with "We are in this together." We can assure you that this statement is not taken lightly, and we are doing everything we can to protect you, our members. We truly are in this together.



BRAZOS BANKRUPTCY

THE IMPACT OF WINTER STORM URI

WINTER STORM URI and the Electric Reliability Council of Texas (ERCOT) grid crisis is an event that will go down in history. The mid-February storm hit the entire State of Texas with severe winter weather, including ice, snow and sustained sub-freezing temperatures. From Dalhart to Brownsville, Port Arthur to El Paso, no Texan was left out.

The rolling blackouts mandated by ERCOT affected Tri-County Electric Co-op and all members and employees. Uri made local, state and national news and quickly became a main focus of the 87th Texas legislative session. Investigations of ERCOT and the Public Utility Commission of Texas (PUCT) ensued, and resignations from the ERCOT leadership and board of directors and PUCT commissioners followed.



Brazos Bankruptcy

A major consequence of the winter storm and grid crisis was our power supplier's decision to file for bankruptcy. On March 1, Brazos Electric Power Cooperative, our wholesale power supplier, filed for chapter 11 bankruptcy in the Southern District of Texas. For the past six months, Tri-County Electric Co-op's Board of Directors and leadership has navigated through this difficult and ever-changing situation while looking out for you, our member-owners.

In early March, the board instructed President/CEO Darryl Schriver to leave no stone unturned during the investigations, hearings and filings. Schriver worked with the Board and an excellent team of outside consultants and legal counsel. During our investigations, we have learned that Brazos's generation fleet did not operate as expected during the storm. These units are intended to hedge power costs by producing electricity to protect the 16 member-cooperatives against the price volatility of the ERCOT market. It is painfully evident that the units did not perform as intended when the member-cooperatives need them most – during Uri when prices were approximately 300 times the normal rate – resulting in Brazos racking up \$2.1 billion in power bills from ERCOT, which was approximately three times the cost of power for all of 2020. If Brazos's generation fleet had been able to operate at the industry's minimum standard during Uri, this could have avoided much of the financial devastation.



Tri-County Electric Co-op's leadership continues to press Brazos for answers and documentation. However, we are still left puzzled on many items and believe Brazos entered into bankruptcy too quickly. Tri-County Electric Co-op and the other 15 member-cooperatives received little advance notice, which created a problem for us and left us with little control of the situation.

These issues caused Tri-County Electric Co-op's Board to the unanimous decision to call for the resignations of Brazos's leadership. When the state legislature investigated what happened at ERCOT and the PUCT, resignations came from decision-makers at both entities. Our board feels that it is time hold decision-makers at Brazos accountable for their actions and move Brazos toward a future where it can better serve its member cooperatives.

Schriver's President/CEO column on page 18 includes an update on the bankruptcy and exit scenarios Brazos is considering. As we navigate this extremely fluid situation, we have two goals: take care of you, the members, and to

keep you informed through transparent communications.

Legislative Update

Texas representatives and senators wrapped up the 87th legislative session on May 31. Legislators passed more than 500 bills connected to the winter storm, with more than 300 relating to the state's electric grid. The largest and most encompassing bill was Senate Bill (SB 3). Key provisions included creating a disaster notification system, a map of critical gas facilities and pricing of the energy market during emergencies. The PUCT and ERCOT are still working to digest and implement SB 3. Until they can fully analyze the bill to propose regulations, we do not know precisely how the legislation will impact the State's electric grid and ultimately our cooperative and its members.